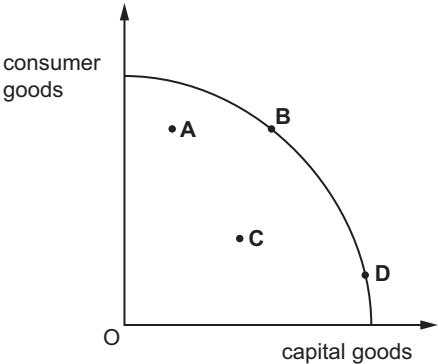


4 Which combination gives correct examples of macroeconomics and microeconomics?

	macroeconomics	microeconomics
A	study of demand for a product	study of price of a product
B	study of behaviour of firms	study of individual behaviour
C	study of the economy as a whole	study of specific markets
D	study of the international economy	study of the national economy

3 The diagram shows a production possibility curve (PPC).

Which position is most likely to lead to the greatest outward shift of the PPC?



Section A

Read the source material carefully before answering Question 1.

Source material: Changes in the Malawian economy

Malawi fact file	2022
Population	22m
Percentage of population with access to electricity	15%
Deficit on the current account of the balance of payments	12.9% of GDP

Malawi is a low-income East African country. It is often affected by natural disasters including droughts, floods and storms. In January 2022, Malawi was hit by Storm Ana. This damaged agricultural crops, factories, forests and power stations.

More than three-quarters of Malawi’s labour force are employed in agriculture. Two of the country’s main crops are tea and sugar. The quantity of tea offered for sale is affected by weather conditions, government subsidies and the price of fertilisers. The global market for sugar has been affected by health reports which identified the possible harmful effects of consuming too much sugar.

Three of the priorities of the Malawian Government are to develop new industries, raise education standards and develop more sustainable sources of energy. The proportion of Malawian children who finish their primary education (5–11 years of age) is relatively low. Table 1.1 shows GDP per head and the percentage of children who complete primary education in selected countries in 2022.

Table 1.1 GDP per head and the percentage of children who complete primary education in selected countries in 2022

Country	GDP per head (\$)	Children who complete primary education (%)
Malawi	650	35
Mauritania	2200	70
Namibia	4900	78
Senegal	1640	60
South Africa	7060	99
Uganda	890	22

Only a small proportion of Malawi’s population has access to electricity. Most households rely on wood and charcoal for cooking and heating. Using wood as a fuel contributes to the destruction of the country’s forests and reduces air quality. The country does, however, get 3000 hours of sunshine a year. This means it could develop solar energy. There would be an initial cost to install solar panels and to reduce the risk of storm damage. Solar energy plants (also known as solar farms) can take up a large area and create visual pollution. However, a successful solar energy industry could decrease Malawi’s imports of fuel and might affect its exchange rate.

Malawi’s foreign exchange rate fell in 2022. The country’s currency, the kwacha, bought fewer US dollars. This depreciation affected Malawi’s current account of the balance of payment, its inflation rate and its economic growth rate. Some economists suggested that the Malawian Government should stop the kwacha falling further in value.

Answer all parts of Question 1. Refer to the source material in your answers.

- 1 (a) Calculate the number of Malawians who had access to electricity in 2022. [1]
- (b) Identify **two** capital goods used in Malawi. [2]
- (c) Explain what is likely to have happened to Malawi's production possibility curve (PPC) in January 2022. [2]
- (d) Explain **two** reasons why the supply of Malawian tea may increase. [4]
- (e) Draw a demand and supply diagram to show the effect of a report stating the health risks of consuming sugar on the market for sugar. [4]
- (f) Analyse the relationship between GDP per head and the percentage of children who complete primary education. [5]
- (g) Discuss whether or not Malawi should develop a solar energy industry. [6]
- (h) Discuss whether or not a government should try to stop its country's foreign exchange rate falling in value. [6]

Section B

Answer any **three** questions.

Each question is introduced by stimulus material. In your answer you may refer to this material and/or to other examples that you have studied.